

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7588

BILL NUMBER: HB 1550

NOTE PREPARED: Jan 15, 2007

BILL AMENDED:

SUBJECT: Sales Tax on Home Energy.

FIRST AUTHOR: Rep. Stevenson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a Sales Tax exemption for the sale of power, light, and heat for residential use. The bill also eliminates the home energy exemption for energy acquired through home energy assistance.

Effective Date: Upon passage; July 1, 2007.

Explanation of State Expenditures: This bill will cause an indeterminable increase in administrative costs of the Department of State Revenue (DOR). The bill will require the DOR to amend forms, develop procedures, and update computer software for use in administering the home energy Sales Tax exemption created in this bill. It is estimated that the DOR could implement these provisions through the use of existing staff and resources.

Explanation of State Revenues: This bill will decrease Sales Tax collections by between an estimated \$246 M and \$256 M in FY 2008, and between \$308 M and \$320 M in FY 2009. The FY 2008 estimates are adjusted for 11 months of collections due to the effective date of the bill. The bill provides a Sales Tax exemption for purchases of power, light, and heat for residential use. The bill also eliminates the current home energy exemption. The current exemption only applies to sales of home heating or cooling energy acquired through a home energy assistance program. All of these estimates have been offset by \$2.25 M, which represents the estimated energy already exempt from Sales Tax under the current home energy exemption.

The impact on the funds receiving Sales Tax distributions is as follows:

Fund	FY 2008 (in millions)		FY 2009 (in millions)	
	Low	High	Low	High
General Fund	\$121.23	\$125.79	\$151.69	\$157.38
Property Tax Replacement Fund	123.22	127.85	154.18	159.97
Public Mass Transportation Fund	1.56	1.62	1.96	2.03
Industrial Rail Services Fund	0.35	0.36	0.43	0.45
Commuter Rail Services Fund	0.08	0.08	0.10	0.11
TOTAL	\$246.43	\$255.71	\$308.35	\$319.94

Please note that this estimated revenue loss may be offset by an increase in consumption due to the decrease in the total sales price of these energy purchases. Although, it is estimated that there will not be a significant increase in consumption by exempting the sales of energy from the Sales Tax because of conservation concerns other than cost to the consumer.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: www.eia.doe.gov.

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